

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE (PPIC)

Meeting Date: 5 October 2022

Subject: Enfield PF Investments & Asset Managers Dashboard for June 2022 plus Aon's View on the Strategy and Asset Allocation considering the Current Economic Climate

Cabinet Member: Cllr Leaver

Executive Director: Fay Hammond

Key Decision: []

This report introduces two Aon's reports:

- a) Quarterly Investment Dashboard and Report on Enfield Pension Fund Investments & Asset Managers, attached to this report as Appendix 1.
- b) Investment Strategy Next Steps - Implementing the agreed investment strategy for the London Borough of Enfield Pension Fund attached to this report as Appendix 2.

Purpose of Report

1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.
2. Officers and fund advisers meet regularly with investment managers to discuss their strategy and performance and if considered necessary may recommend that investment managers are invited to explain further to the Pension Policy & Investment Committee.

Proposal(s)

3. Pension Policy and Investments Committee are recommended to note the contents of Aon's reports set as Appendix 1 and 2 to this report.

Reason for Proposal(s)

4. The first report informs the Pension Policy and investment Committee of the key developments and the performance of asset managers and how it affects the overall performance of the Enfield Pension Fund.

5. The second report is for discussion at this meeting to explain the soundness of implementing the various stages required as outlined in the Fund's revised investment strategy.

Relevance to the Council's Corporate Plan

6. Good homes in well-connected neighbourhoods.
7. Build our Economy to create a thriving place.
8. Sustain Strong and healthy Communities.

Background

9. The report attached as Appendix 2 drafted to provide an overview of the various stages required to implement the Fund's revised investment strategy. The Investment Consultant focus on the Fund's equity portfolio and also options for the allocations to alternative fixed income and infrastructure. They also provide an update in relation to the redemption terms for the Fund's hedge fund portfolio.
10. Equities: they review the construction of the Fund's current equity portfolio, provide views on the Fund's current managers and comment on the alternative options available on the London CIV ('LCIV') and highlight the LCIV Sustainable Equity Fund as one which the Committee should consider in more detail. Aon recommends that the Fund's holdings in the LCIV Global Alpha Growth Fund be moved to the Paris-Aligned version of the fund, to enhance the integration of Environmental, Social and Governance ('ESG') views.
11. Fixed Income: the paper also comments on the options available from the LCIV for consideration in relation to the allocation to alternative fixed income and recommend that the Committee should consider the LCIV Global Bond Fund in more detail.
12. Infrastructure: also provide views on the two infrastructure funds available through the LCIV and how the Funds could be used to increase the Fund's allocation to infrastructure.
13. The Investment Consultant report also provide a suggested timeline for implementing the various stages of the Fund's revised investment strategy.
14. The Investment consultant only considered options that are available to the Fund through the LCIV, as the move towards pooling the Fund's assets continues.
15. This report has provided the Committee with an overview of the various stages for implementing the Fund's revised investment strategy.
16. Focussing first on the Fund's equity portfolio, we continue to believe that a balanced approach remains appropriate, both in terms of management approach (active vs passive) and management style (growth vs value vs quality). We recommend that the Fund's holdings in the LCIV Global Alpha

Growth Fund be moved to the Paris-Aligned version of the fund and also that the Committee review the LCIV Sustainable Equity Fund in more detail.

17. The increased allocation to infrastructure allows the Committee to reflect its ESG beliefs by considering investing into sectors such as renewables. The paper recommends that the Committee review both of the LCIV's infrastructure funds in more detail; the LCIV Infrastructure Fund and the LCIV Renewables Fund.
18. In relation to the redemption of the Fund's hedge fund portfolio, despite the length of notice periods being relatively long, consideration will need to be given to the timing of the redemption request submissions, to avoid the Fund holding an excess balance in Cash for a prolonged period.
19. Aon's hedge fund research specialists have confirmed that the redemption terms for the Fund's two remaining hedge funds, CFM Stratus and Davidson Kempner are:
 - i) Davidson Kempner: Quarterly redemptions, with 60 days notice; and
 - ii) CFM Stratus: Monthly redemptions, with 60 days notice.
20. The combined holdings in these two hedge funds was c.£60m as at 30 June 2021 and c.£66m as at 30 June 2022. Once the redemptions notices have been placed and the proceeds have been received, this amount will be available for investment and will help move the Fund towards its revised investment strategy.
21. Even with the relatively long redemption notice required in each case, careful planning is required to ensure that the proceeds from the redemptions can be invested elsewhere within the Fund's investment strategy in a timely manner, to avoid holding a significant balance in cash for a prolonged period.
22. The implementation of the Fund's revised investment strategy will continue in 2022.

Workforce Implications

23. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Property Implications

24. None

Other Implications

25. None

Options Considered

26. There are no alternative options.

Conclusion

27. The second report was drafted back in September 2021 to provide an overview of the various stages required to implement the Fund's revised investment strategy. Aon focuses on the Fund's equity portfolio and also options for the allocations to alternative fixed income and infrastructure. Aon also provides an update in relation to the redemption terms for the Fund's hedge fund portfolio.
28. The recommended next steps, subject to the agreement of the Committee, include the consideration for the LCIV Renewables Fund

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Date of report 14th September 2022

Appendices

Appendix 1 - Quarterly Investment Dashboard and Report to 30 June 2022

(Confidential – Exempt Report)

Appendix 2 - Investment Strategy Next Steps - Implementing the agreed investment strategy **(Confidential – Exempt Report)**

Background Papers - None